

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 EUR-12 NEA-10 ISO-00 ERDA-05 AID-05
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 /118 W

-----161507Z 064372 /45

R 161226Z FEB 77

FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 1311
INFO AMEMBASSY MEXICO
AMEMBASSY VIENNA

C O N F I D E N T I A L TEHRAN 1547

E.O.11652: GDS

TAGS: ENRG, PFOR, IR

SUBJ: IRANIAN THREATS

REF: MEXICO 1797

1. SINCE SHORTLY AFTER THE FIRST OF THE YEAR, THE SHAH AND VARIOUS OF HIS SPOKESMEN HAVE MADE SEVERAL PUBLIC STATEMENTS ABOUT POSSIBLE DIRE CONSEQUENCES WHICH MIGHT RESULT FROM TWO PRECIPITATE A FALL IN IRANIAN OIL EXPORTS AND HENCE REVENUE. A PRINCIPAL THEME HAS BEEN THAT THE CONTINUED PEACE AND SECURITY OF THE PERSIAN GULF WOULD BE SERIOUSLY JEOPARDIZED IF IRAN, BECAUSE OF FINANCIAL EXIGENCIES, IS FORCED TO BECOME EXCESSIVELY INWARD-LOOKING. IN RESPONSE TO THE FALL IN JANUARY CRUDE LIFTINGS, THE THREAT OF BLACKLISTING WAS MADE TO OIL COMPANIES THAT FAILED TO HONOR THEIR OBLIGATIONS TO PURCHASE IRANIAN OIL; AND THERE WERE ALSO WARNINGS ABOUT THE POSSIBILITY OF REDUCTIONS AND SUSPENSIONS OF IRANIAN FOREIGN ASSISTANCE. THE SHAH HAS ALSO STATED, AND IN EFFECT WARNED SAUDI ARABIA AND THE U.A.E., THAT IRAN WOULD VIEW OVERPRODUCTION OF OIL BY THOSE TWO COUNTRIES AS AN ACT OF AGGRESSION.

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2. IN SHORT, THE SHAH AND HIS GOVERNMENT HAVE MOUNTED A MAJOR EFFORT TO MINIMIZE THE EFFECT ON IRANIAN OIL PRODUCTION OF THE TWO-TIER PRICE STRUCTURE. HOWEVER, WE BELIEVE THAT IRAN RECOGNIZES THAT IT WILL HAVE LIMITED SUCCESS IN ITS EFFORTS TO NULLIFY THE MARKET FORCES SET IN MOTION BY ADOPTION OF THE TWO-TIER PRICE SYSTEM. THUS THE SHAH

RECENTLY STATED HIS WILLINGNESS TO COMPROMISE WITH THE SAUDIS ON THE PRICE ISSUE.

3. PANAHY'S REPORTED STATEMENT ABOUT THE POSSIBILITY OF REACHING AGREEMENT AT ABOUT 7.5 PERCENT IS INTERESTING, IN THAT THE SHAH CAREFULLY AVOIDED STATING PUBLICLY WHAT HE WAS WILLING TO COMPROMISE AT. SO FAR HE HAS IMPLIED THAT HE WOULD BE WILLING ONLY TO FOREGO ADDITIONAL 5 PERCENT JULY 1 INCREASE IF SAUDI ARABIA AND UAE RAISE THEIR PRICES TO THE 10 PERCENT OPEC ELEVEN LEVEL.
MIKLOS

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Message Attributes

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